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# China Report

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6 June 1984

## CHINA REPORT ECONOMIC AFFAIRS

### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

##### ECONOMIC PLANNING

- Journal on Development of Export Bases  
(Su Yu, Guo Shun; JINGJI GUANLI, No 4, 5 Apr 84) ..... 1

##### ECONOMIC MANAGEMENT

- PRC Journal Discusses Technological Reform  
(Li Ruihuan; JINGJI GUANLI, No 4, 5 Apr 84) ..... 9

##### FOREIGN TRADE

- Opening 14 Cities To Outside 'Important' Step  
(Jin Qi; CHINA DAILY, No 19, 7 May 84) ..... 18
- Tianjin Harbor Foreign Investment Zone Planned  
(XINHUA, 15 May 84) ..... 20
- Briefs
- Zimbabwe Garment Factory Contract ..... 22
  - Canadian Delegation Tours Shenzhen ..... 22
  - Agricultural Projects' Aid ..... 22
  - PRC-Belgium Trade Fair ..... 23
  - Zhuhai Economic Zone ..... 23

##### LABOR AND WAGES

- Liaoning Adopts More Flexible Wage Policy  
(Yu Zhongxin; LIAONING RIBAO, 6 Mar 84) ..... 24

## TRANSPORTATION

### Briefs

Excavation of New Channel	25
Qinghai Railway Opens	25
Drawbridge on Nujang River	25

## GENERAL

Zhejiang Governor Describes Province (Xue Ju; CHINA DAILY, 26 Apr 84) .....	26
Four Major Changes in Liaoning's Individual Economy (Huang Zhigang; SHICHANG ZHOUBAO, 14 Feb 84) .....	29
Shandong Initiates Joint Projects With Other Regions (Guo Fuxiu; DAZHONG RIBAO, 7 Feb 84) .....	31

## HONG KONG MEDIA ON CHINA

PRC's Xiamen Economic Zone To Adopt New Measures (Terry Cheng; SOUTH CHINA MORNING POST, 10 May 84) .....	32
--------------------------------------------------------------------------------------------------------------	----

## HONG KONG ECONOMIC TRENDS

Everbright Chairman's Influence in Territory Viewed (Olivia Sin; SOUTH CHINA MORNING POST, 3 May 84) .....	36
Market Hit by Rate Fears, Political Concern (Jerry Norton; SOUTH CHINA MORNING POST, 10 May 84) .....	40
Hong Kong Companies Invest in Philippines (Mary Ann Benitez; HONG KONG STANDARD, 21 May 84) .....	42
PRC Banks Would Aid Fluctuating Hong Kong Dollar (Garmen Chan; SOUTH CHINA MORNING POST, 18 May 84) .....	44
Hong Kong Firm To Invest in Guangdong County (Olivia Sin; SOUTH CHINA MORNING POST, 15 May 84) .....	47
'Political Uncertainty' Brings Market Down (Jerry Norton; SOUTH CHINA MORNING POST, 8 May 84) .....	49
Wang Guangying on Everbright Local Identity (Garmen Chan; SOUTH CHINA MORNING POST, 20 May 84) .....	50
PRC Firm Opens Hong Kong Department Store (HONG KONG STANDARD, 3 May 84) .....	52

## ECONOMIC PLANNING

### JOURNAL ON DEVELOPMENT OF EXPORT BASES

HK230855 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 84 pp 11-13, 47

[Economic Commentary by Su Yu [5685 7183] and Guo Shun [2654 7311]: "Speed up the Establishment of Export Bases and Specialized Export Factories To Develop Foreign Trade"]

[Text]

I

Our country began the establishment of export bases and specialized export factories in the early 1960's. At that time, on Hainan Island, Henan, and other localities, a number of bases for the production of agricultural and sideline products and special local products were established. In the early 1970's, there was a new development, the appearance of comprehensive bases for the production of export commodities. In recent years, the state, enforcing the policy of "opening up to the outside," and energetically developing foreign trade, has further stepped up the establishment of bases and specialized export factories. In 1980, the China General Corporation on building of export bases was established. Not only was the number of export bases and specialized export factories increased, but also there emerged the following diversified operations:

1. Comprehensive bases for production of export commodities. These are established, within the scope of districts and municipalities directly subordinate to the province, as comprehensive bases for the production of export commodities embracing both agricultural and sideline products and industrial products. The direction of development of these bases is: "Agricultural if suited to agriculture, industrial if suited to industry, suiting measures to local conditions, display of the superior features, protecting competition, promoting combination, and vigorously developing production of export commodities which are marketable abroad." At present, there are 27 comprehensive bases in the country. The great majority of them are located in coastal areas.
2. Production bases of a single type of export commodity, agricultural, and sideline product. They take a county, a commune, a brigade, or a state farm as unit. They plant or produce crops or commodities which are a high economic value and are marketable abroad. At present, production bases of a single type of commodities, comprising some 98 different varieties, have

been established in 24 provinces, cities, and autonomous regions in the country. Establishment of this kind of base can develop diversified operation in the countryside, bring the superiority of the abundant labor power and natural resources into full play, and expand the production of export commodities.

3. Specialized factories producing export industrial commodities. They are industrial plants (mines) specializing in the production of export commodities which local industries and commerce, by consultation and based on the actual and export needs for production of industrial products in our country and with the approval of the relevant state departments, select from among the enterprises originally engaging principally in the production of export commodities. At present, 94 such specialized export factories have been established in provinces and towns such as Jiangsu, Shanghai, and Beijing. The establishment of these specialized factories helps to improve the quality and grade of the export commodities and their competitive power in the international market.

4. Production-processing enterprises subordinate to the economic and trade departments. There are altogether 821 enterprises of this category (not including those engaged in foreign transport or warehousing), principally comprising processing plants of agricultural and sideline products, farm breeding and rearing domestic fowl, wild animals, and aquatic products, packing plants, printing factories, and so forth.

5. Jointly operated industrial (agricultural) and trading enterprises and Sino-foreign jointly operated enterprises. This category of enterprises is a new development in recent years under the conditions of the promotion of economic combines and utilization of foreign capital. By the end of 1983, over 100 jointly operated industrial (agricultural) and trading enterprises and 2 Sino-foreign jointly operated enterprises were in trial operation. Trial operation of diversified types of jointly operated production enterprises is beneficial to more closely linking the relations between production and marketing, developing export products of high or medium grades and meeting external marketing needs in a better way.

In order to perform a good job of establishing bases and specialized export factories, the Ministry of Foreign Economic Relations and Trade and the relevant departments have done a large amount of work and adopted various measures. Principal among these measures are: special loans to enterprises in support of their technical transformation, renovation of craftsmanship and workmanship and addition of equipment; circulation funds in support of the production of agricultural and sideline products and special products for export; special allocations of foreign exchange in support of the bases and specialized export factories, and short-term foreign exchange loans for importation of technical equipment and loans for procurement of domestic accessory equipment and parts. From 1973 to 1982, more than 10,000 projects have been thus supported. In the 2 years 1978 and 1979, the state arranged loans amounting to \$500 million and 400 million yuan to help the technical transformation of over 400 export commodities production enterprises in Beijing, Tianjin, Shanghai, Jiangsu, Shandong, Zhejiang, and Guangdong.

By the end of 1983, in the country as a whole, a newly increased output value of some 20 billion yuan were reported by projects in operation which had benefited by these assistance and support measures.

Practice has shown that the establishment of export bases and specialized export factories constitutes a good measure in developing the production of export commodities. It plays an active role in developing our country's external economic and trade relations, expanding exports, and increasing foreign exchange earnings. This is principally shown in the following:

1. Improvement in the quality of products. A great amount of work has been done by the various export bases and specialized export factories in improving the quality of the products, their varieties, and designs and colors. They have developed a number of backbone commodities and top-grade goods. For example, at the Weifang production base, in order to improve the quality of the flue-cured tobacco for export, the various stages of work from planting, first flue cure, second flue cure through packing and inspection for delivery were closely watched. As a result, the rate of the products meeting the standard increased by over 100 percent compared with before the establishment of the base. In the case of the Shanghai seventh dyeing and printing plant, the Changzhou corduroy dyeing plant and other specialized factories, many of their products have received gold medal or silver medal awards from the state. The rate for export of certain products of well-known brands generally averaged over 95 percent and enjoyed good reputation in the international market.

2. Increase in the volume of goods delivered for export. Along with striving to improve the quality of the products and to develop traditional products and products of well-known brands, the various export bases and specialized export factories have resorted to various methods to increase the production of marketable products. The delivery volume of goods for export has noticeably increased. In 1983, the export bases and specialized export factories in the country were responsible for supplying 35 percent of the total volume of state purchases of goods for foreign trade. They have thus become an important pillar of support for the export trade. Of them, in 27 comprehensive bases the volume of state purchases amounted to 9.6 billion yuan, or 20 percent of the country's total volume of commodity purchases for export; the volume of purchases made in the single-item production bases of 98 different varieties of products amounted to 1.9 billion yuan, or 14 percent of the gross purchases made during the year by the 2 corporations handling grain, oil, and food products; the gross volume of purchases from 94 specialized export factories amounted to 1.5 billion yuan, and their foreign exchange earnings from exports amounted to \$600 million, making up 3 percent of the gross volume of the country's export trade; and the 821 production-processing enterprises subordinate to the economic and trade departments reported an annual output value of 3.5 billion yuan and export foreign exchange earnings of \$2 billion, making up 10 percent of the country's total foreign exchange earnings from the export trade. Many export bases and specialized export factories have made active contributions to the expansion of the export trade. For example, Fatshan for over 10 years has had an export base.

In 1982, the purchase volume amounted to 1.3 billion yuan, an increase of 440 percent over 1972, or an average annual increase of 18 percent. The Suzhou export base has been established for 7 years. The volume of purchases for foreign trade averaged an annual increase of 23.1 percent, while the Linyi base, 5 years old, reported an average annual increase of 35.5 percent in the yearly purchases for foreign trade.

3. Increases in foreign exchange earnings from export. Because the export bases and specialized export factories have well-defined tasks and their products can meet in a better way the needs of the international market. They have been able to sizably increase their foreign exchange earnings for the state. For example, 6 years after their establishment, Shanghai's 48 specialized export factories have increased their foreign exchange earnings from an original \$150 million to \$370 million, an increase of more than 100 percent. In Shanghai and in Jiangsu Province, some specialized export factories whose foreign exchange earnings average over \$10,000 per staff member a year, and in 5 of the factories the average foreign exchange earnings of each staff member amounts to \$20,000 a year.

In addition, the export bases and specialized export factories have made a relatively good showing in such areas as shortening the goods delivery period, improving the rate of fulfilling agreements, lowering the volume of acceptance of orders in excess of their capacity, improving the packing and design of their wares, and so forth. For example, at the Shanghai seventh dyeing and printing factory, the delivery period of their printed real silk filatures of the "Three Golden Cups" brand is shortened from 75-90 days to 30-35 days. This has helped to improve the competitive power of the goods in the international market and increase their export volume.

## II

Although for more than 20 years the establishment of export bases and specialized export factories has achieved notable successes, we are still quite far away from meeting the demands of "promoting the entry of our domestic products into the international markets and vigorously developing our foreign trade." There are still many problems awaiting solution. At present, the major existing problems are the following:

1. Vanishing or running out of products of the export bases. In the countryside, following the enforcement of the responsibility system and the opening of country fair trade, a portion of the agricultural and sideline products formerly purchased by the foreign trade departments has been converted into the three categories of material resources. In order to earn more income, the producers frequently sell them at the country fairs, with the result that foreign trade departments are unable to procure them except at high prices.
2. The export products have few varieties, are poor in quality, and usually only large orders or consignments are accepted. At present, in the international markets, changes are frequent and competition is very keen. As for the export products of our country, they still do not completely meet with the demands of the international markets, not only regarding designs, variety, and quality, but also regarding the size of each order or consignment.



for example, a client may want to purchase only 3,000 meters of printed cloth, but our minimum order is 10,000 meters. The production cost of our shoes is high, and their quality is poor, but the selling price of a pair is hardly one-tenth of those shoes made in Italy. According to a 1982 survey of Shanghai's 119 major export commodities, the sales of 61 commodities are adversely affected by their simple and crude designs and out-of-date styles. According to another estimate made by the Ministry of Light Industry, over 70 percent of the products belong to the quality level of the 1950's and 1960's,

3. Conflict between the four assessment targets for specialized export factories and the eight targets generally in force in the country. Although the assessment targets fixed by the state for the specialized export factories comprise only the four targets of the volume of export foreign exchange earnings, volume of delivery of export commodities, production cost of foreign exchange earned, and rate of fulfillment of agreements, the departments concerned frequently subject them to the eight targets in force in the country. This has caused certain of the specialized export factories to lopsidedly strive for a large output volume and high output value and fail to perform well the tasks of providing export products of superior quality and well-known brands.

4. Insufficient supporting funds; the current method of loans is detrimental to the technical transformation of the enterprises. Although the state has already spent much foreign exchange and renminbi in support of the enterprises producing commodities for export, the needs still cannot be fully met. In particular, in the case of the production and processing enterprises subordinate to the Ministry of Foreign Relations and Trade, the great majority of them have "got on with the job by local methods," starting with a very simple beginning, operating in crude premises, working with outdated tools and being generally backward in technology and craftsmanship. They sorely need technical transformation, but to depend on the foreign trade system alone to provide all the funds for technical transformation will fall far short of their wishes. At the same time, the loan method in current use requires that the borrower must repay the loan from the newly increased income or profits, but the main task in the technical transformation of the bases and specialized export factories producing export commodities is improvement of the quality of the products. Frequently, they are unable to repay the loans. Thus, they can only refrain from making any loans or make fewer or smaller loans. This has slowed up the process of economic transformation.

5. Contributions to the export bases and the specialized export factories to the state are not linked closely enough with the income of the enterprises or that of the staff members. Many of the export bases and specialized export factories have brought to the state much foreign exchange earnings because of the good quality of their products and their good designs and many varieties. But because the growth rate of output value and that of profits cannot keep pace with each other, the enterprises have failed to procure funds for the development of production, or for collective welfare funds, or bonuses for individuals that correspond to any extent with their contributions. This

not only does not help in their efforts to fulfill well their export tasks, but also fails to arouse the local financial departments and the departments in charge to enthusiastically perform a good job of administering the export bases and the specialized export factories.

### III

In order to further grasp well the building of export bases and specialized export factories and to enable the production of export commodities to expand greatly, at present we should emphasize doing the following jobs:

1. We must further improve the understanding of the importance of establishing export bases and specialized export factories. If we want to realize the four modernizations as well as the strategic targets of the 12th NPC Congress, it is necessary to energetically develop our external economic and trade relations and to import advanced technical equipment from abroad. To procure large amounts of foreign exchange for the purpose of importing technical equipment, the key lies in producing more export commodities and expanding the export trade. Devoid of exports means in the long run being devoid of imports. Only by doing a good job in establishing export bases and specialized export factories is it possible to expand exports and supply more marketable goods abroad, and also to narrow the gap between our products and foreign products in respect of quality, style, variety, design, packaging, and so on.

Only in this way can we place our foreign trade on a firm and reliable base. All departments and localities concerned should first take the interests of the whole at heart and actively support the establishment of export bases and specialized export factories. In policy, we should give them a definite preference; in production, we should provide them with major support; in checking and assessment, we should enforce the four targets as provided for by the state, thus enabling the export bases and specialized export factories to be honored politically and, materially, to enjoy benefits higher than those of the rank-and-file enterprises.

2. We should further strengthen the organization and leadership of the export bases and specialized export factories. Concerning the establishment of export bases and specialized export factories, the economic and trade departments should formulate composite plans to be put into effect gradually. From now on, in establishing export bases and specialized export factories, attention should first be given to establishing well those production bases engaged in the various single types of export commodities, following which, on that basis, comprehensive types of bases should be formed in a planned way. In the case of specialized factories, their establishment should be based on the principle of being few in number but of superior quality. We should select as specialized export factories the enterprises which turn out products of good quality, which have a high commodity rate, and which are adept at handling abrupt changes. Concerning the system of leadership, provinces and cities possessing the requisite conditions can set up their own base companies. Provincial and city companies can serve as branch organs of principal companies of ministries and also may operate independently,

being responsible for their own profits or losses. As for leadership over bases handling single types of commodities, the specialized import and export corporations should mainly take charge, with the cooperation of the base companies, so as to closely link assistance to production and expansion of export trade. Meanwhile, concerning those well-known brand name products, their production site must be bised and the scale of construction concerning them should likewise be determined. If necessary, certificates of origin should be issued so as to avoid competitive production inside the country and adverse effects on their marketability and selling price abroad. In order to prevent the vanishing of products, on the one hand, we should ban unrelated departments from making purchases of products from the export bases and the specialized export factories and, on the other hand, foreign trade departments should sign long-term purchase agreements with the producers. They can make direct purchases of the three categories of agricultural and sideline products and may also entrust others to make the purchases on their behalf.

3. We should strengthen market forecasting and organize production and export in accordance with the demands of the international market. We should, based on the principle of meeting the needs of the international market, and suiting measures to local conditions and putting the superior points into full play, establish bases and specialized export factories according to plan, organize and support production, and thereby avoid economic losses caused by blind investing and blind developing.

4. We should strive to raise the quality of the products and improve packaging and decoration. In order to expand export trade, first we should reform and improve the planning, quality, design, variety, and packing of the products, and in this way meet the special requirements of the international market, such as high quality, great variety, and good packaging. For this reason, 1) It is necessary to select a portion of the specialized factories which keep a close watch on the world's advanced level, organize production according to world standards, lower the production cost of products, and basically improve the competitive capacity of the export commodities. 2) It is necessary to improve as soon as possible the accessory equipment and measures concerning the warehousing, processing, and transport of agricultural and sideline products. 3) It is necessary to improve the packaging and ornament or decoration of the products. According to statistics compiled by the relevant parties, if we can improve in an overall manner the packaging and decoration of the export commodities of our country, even under conditions where there is no increase in the volume of the export of commodities, the foreign exchange earnings can be increased by 10 to 20 percent each year.

We must step by step carry out the technical transformation of the export bases and specialized export factories. Because of the backwardness of many of our enterprises in technology, equipment, and craftsmanship, the quality of many of our export commodities does not conform with foreign requirements, and some of the commodities have even approached the crucial stage of a complete withdrawal from the international market. For example, our country is the originator of the production of silk goods and our production of factory silk and silk products currently occupies first place in the world. But

because our processing technology is not up to standard, garments made from our silk goods can easily be deformed, shrink after washing, develop wrinkles, and change in color. As a result, they cannot command good prices in the world market. For the sake of improving the quality of the commodities and increasing the export volume, it is necessary to devote utmost efforts to speed up the technical transformation of specialized export factories and of processing plants subordinate to the Ministry of Foreign Economic Relations and Trade. In the immediate future, we should carry out major technical transformation of such industries and trades as those engaged in the refrigeration business, food processing, making of furs and leather goods, the finishing process in drawnwork, and packaging of export commodities.

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## ECONOMIC MANAGEMENT

### PRC JOURNAL DISCUSSES TECHNOLOGICAL REFORM

HK241332 Beijing JINGJI GUANLI in CHinese No 4, 5 Apr 84 pp 3-7

[Article by Li Ruihuan [2621 3843 3883]: "Strive To Bring About a new Situation in Technological Reform"]

[Text] Tianjin is an old industrial city. The use of new technology in technological reforms in existing industries and reliance on scientific and technological advances to develop the productive forces is of great significance. This is also something closely linked to the future mission of economic construction throughout the city, and the success or failure of the four modernizations throughout the city. This is both a long-term strategic question and also an urgent realistic question. We are facing a trial of history. With this kind of historical sense of responsibility and sense of urgency, we shall be able to unite our thoughts and arouse our spirit to make the roads smoother and our steps quicker.

#### The Present Situation and Major Problems Related to Technological Reform in Tianjin

Since the 3d Plenary Session of the 11th CPC Central Committee, Tianjin has integrated national economic readjustments and has done a great deal of work towards technological reform, importing technology, and the adoption of new technology. All this work has produced progress and results and, generally speaking, developments are good.

1. The scale of technological reform is constantly expanding. In the past, very few enterprises had funds for technological reform. Since 1978, funds for use in technological reform have constantly increased. In 1978 they amounted to 130 million yuan, and by 1983 they had increased to 760 million yuan. Although there are some incomparable factors, generally speaking, there has been an increase of around 100 million yuan per year in these funds. Between 1979 and 1983, the annual industrial output increased on the average by 8.1 percent a year throughout the city, and most of the increased production value was the result of technological reforms. We can say that technological reform is now the main method for developing enterprise production.

2. Integration and readjustments have expanded the production capacity of light industrial and textile industrial goods for daily use. Key reforms have been carried out in 18 major light and textile industries, 5 support trades, and 136 major brand products. Readjustments and production shifts took place in 212 enterprises. This helped strengthen the knitting, bicycle, and daily necessities businesses, and good results were achieved. In a very short time, the output of bicycles, sewing machines, and so on, which had been in very short supply, doubled. Businesses which underwent major reforms and readjustments achieved profits and growth rates in excess of the average growth rates for the city. In the case of four businesses, annual production output actually doubled. New products also emerged, such as tape recorders, color televisions, and household electrical appliances.
3. As a result of the application of new technology, technological standards improved in some businesses and enterprises. This was evident in renovation of some old equipment, reforms, and improvements to old technological products, and improvements to some old products. For example, narrow-width cloth machines were adapted to wide width, and modernized mail-sorting equipment was introduced into textile printing and dyeing technology. In addition, the capacity and quality of some parts, valves, and pumps for some electrical machinery saw evident improvements.
4. Key reforms were aimed at power and water conservation. The entire city basically completed the reform of industrial boilers from oil and gas to coal. Last year, this brought savings of 11,000 tons of oil. Today, energy consumption for every 10,000 yuan of production value has dropped by 20 percent compared with 1978 figures and there have also been massive drops in the industrial consumption of water.
5. Initial reforms with a view to specialized readjustments were carried out in the five major technological processes of electroplating, heat treatment, founding, molding, and equipment repair. The original 313 scattered electroplating sites in the city were consolidated into 159 sites, while factories specializing in electroplating were also set up. Of the 489 heat treatment sites scattered in the city, 157 sites were abolished and 1 factory specializing in heat treatment was set up. In this way, the demands of specialized production were met, technological standards were improved, and environmental pollution was reduced.
6. There have been new developments in the use of foreign capital and the importation of technology. Between 1980 and 1983, Tianjin signed 279 contracts with overseas partners; 54 projects involved the direct use of foreign capital, while 281 projects involved the use of state foreign currency, foreign currency retained by the region, and short-term foreign currency loans from the Bank of China to import foreign technology. These projects using foreign capital and importing foreign technology have given many enterprises the chance to make use of advanced technology and improve technological standards, while some products have made their way into international markets and achieved visible success.

Of great importance is that through practice over the last few years, we have amassed extremely useful experiences in technological reform, using foreign capital, importing foreign technology, developing research, organizing natural sciences, and coordination among colleges, universities, and research institutes. In the process we have also trained a team of personnel to carry out technological reforms and technological progress.

At the same time as fully endorsing the above-outlined successes, we should also remain alert and aware of the fact that technological reform work in Tianjin is still far from meeting the demands of developmental trends, and that many urgent and serious problems still exist. Indeed, there are even still such surprising phenomena as the following:

1. Everyone is complaining that investments are too little, and at the same time, it is impossible to spend the money each year. Today everyone is saying that investments for technological reform are not sufficient, and everyone feels that there is not enough money available. According to material provided by the relevant departments, there was a shortage of at least 200 to 250 million yuan this year. On the other hand, we are also unable to spend the money that we do have. According to statistics from the People's Bank during the 3 years from 1980 to 1982, total accumulative bank loans given to the city by all banks amounted to 467 million yuan, of which it was possible to make use of only 333 million yuan; thus 134 million yuan were wasted. Last year, the primary light industrial bureau planned loans of 262.4 billion yuan, while actually only 74.6 billion yuan used making up 28 percent of the total. In machinery, electronics, and other such key areas, only 32 percent of planned loans were used, and last year, of 244 new loans arranged by the People's Bank, 96 had not used a single cent of the loans by the end of the year. Our foreign currency reserves are not great, but every year we are unable to make full use of them.

2. On paper there are a great many projects, but there are not many sound ones. Over the last few years, technological reform projects in Tianjin have numbered in the thousands every year; last year they totalled 1,160. Such a large number of projects in one sense looks very understandable, but in overall terms it is not rational. Some of them are repetitive projects, and some create obstacles for future development. Basically almost none of them are really impressive and fail-safe. Some key projects have not been properly implemented.

3. Insufficient preparation work. In the implementation of technological reforms, utilization of foreign capital, importation of technology, and so on, preparatory work is extremely important. If there is no preparatory work for these projects, and if we rely only on personal opinions to make rash decisions, then blindness occurs frequently. It often happens that there is a lack of full preparation for discussion of projects with foreign partners, feasibility studies have not been done, and in some cases nothing is clear at all and so contracts are signed rashly. Last year, the People's Bank authorized 87 key technological projects; they plan to use loans in less than 10 of the cases. On the other hand, in the case of some projects which have been set up, preparatory work is very exhaustive and can go on for a very long time, be very repetitive, and never actually decide anything.

Sometimes price quotation differences are very small, but talks with foreign partners are never completed and thus nothing comes of these affairs.

4. The number of people who want projects done is large, but the number of people carrying out the projects is small. Everyone vies with each other to obtain projects, giving many reasons for wanting them and thus expending a great deal of energy and zeal. In order to establish these projects, some people go to any length to arrange them. However, once a project is set up, there are very few people available to manage them. Over the last few years, many projects have been set up but many have not been implemented either.

5. There is great urgency to request projects, but slowness in setting them up. On paper, many projects appear very urgent, but afterwards construction periods drag on for long periods of time. In some cases there are constant stoppages and hold-ups. According to material from the construction bank, of 17 projects involving investments totalling over 5 million yuan, only 12, or 70 percent, have been put into operation. Of these, 7 have had time limits extended by between 6 months to 1 year, and 2 have had delays and extensions of up to 2 years, while in 1 case delays were as long as 4 years. For example, in the case of the Jinhua chemicals plant project, changes made midway in the construction teams meant that the project was delayed by 32 months. Work on Tianjin fruit wine 2,000 square meter packaging workshop began in September 1981 and was originally planned to be completed by 1982. It is still not complete today.

6. Technological reform is talked about but very often there is no advanced technology used. Among investment projects there is an over-proportion of ground work projects. When some work units carry out technological reforms, they do not inquire as to whether or not the technology is advanced, and thus with their old equipment and outdated technological processes they demand expanded and new factory space, and all the money is spent on superficial, external changes. According to statistics from the construction bank, of 110 projects put into operation in 1982, total land construction area was 157,000 square meters, on the average about 2,800 square meters per project. In 5 projects, land construction covered an area of more than 10,000 square meters each. In some cases, technological reform was used as an excuse to expand office space and buildings.

7. There are calls every day for composite balances, and there are proportional dislocations everywhere. Today it seems that on paper a composite balance exists, but in fact there are dislocations everywhere. First and foremost, funds are not balanced, and there is a good deal of so-called "fishing for projects." In some cases, it is the upper levels fishing the lower levels, and sometimes it is the opposite. There are cases of "twin-head horses," like one woman married into two families. There are cases in which initial capital is underestimated first and additional investment is applied for later. Second, there are imbalances in goods and materials, and there are supplies of only one-third of the three major types of materials. Third, there are imbalances in land construction and sometimes 1 million square meters of land is organized for construction and nowhere is it near completion. In addition, there is insufficient consideration of raw material



supplies, water resources, and energy after technological reform projects have been [words indistinct] borrowing money and nor they will repay it. When projects are wanted, promises abound, but after the projects have begun, very few people actually ask about the results. There are large numbers of projects on various lists, and very few have been started, and the results in those begun are very poor. Of loans which the construction bank made for technological reforms, between 1979 and 1981 only 66 percent of those projects which should have been started actually were, making up 56 percent of the investments in projects which should have been started. As for results after the projects are under way, they fall very short of the targets mentioned when the project was being set up, and thus many people were unable to keep the promises they made. Of the 17 projects involving investments of more than 5 million yuan, it is estimated that only 2 of these will show good profits after getting under way. Some 50 percent will show real short-term profits lower than planned and 5 projects may incur losses.

9. Everyone has his opinion, no one has responsibility. Everyone at every level is exasperated about the problems involved in technological reform and everyone is dissatisfied, and every department, every section, and every unit has its own opinion. Those who want projects have opinions, those who are settling and approving projects also have opinions, and those who are carrying out discussions have their opinions too, as to those carrying out the work. Everyone seems to be right and it is impossible to unify these opinions. But it is impossible to find anyone with responsibility. This is what we mean when we talk of having to flog someone but never being able to find a backside to flog.

10. Too many "bosses" result in no "bosses." If it is a question of authority, then everyone has it. But when it comes to the crunch, no one can make a decision. Everyone is boss but no one is in charge.

It would be possible to list the many other problems. This clearly illustrates the large number of problems involved in technological reform work. These may be summed up as decentralization, chaos, slowness, and poorness: projects and funds are decentralized, management is chaotic, construction progress is slow, and economic results are poor. If things continue like this, there will be many dangers ahead. There is one kind of problem which will produce missed opportunities and there is another kind which will create massive debts as a result of blindness and which could even produce serious economic damage for the state. We must handle these problems in our work seriously and we should on no account take them lightly.

We must have a full understanding of the problems and dangers that exist within technological reform work. Some of these problems are the result of both subjective and objective factors. Some are the result of interdepartmental factors and some are due to leadership factors. As far as subjective factors are concerned, I believe that there are at least four of them.

1. There is insufficient understanding. The understanding of which I am talking about here is not an understanding of the importance of technological reforms but rather an understanding of the innate and essential nature of technological reforms, in other words, understanding of its regularity. There

is no doubt that carrying out good technological reforms is an important question, but merely talking about it is not enough. There is also the question of understanding the innate laws of technological reform itself. As far as China is concerned, we lack complete experiences in large-scale technological reforms. Investments in fixed assets abroad have already amassed complete experiences and, while we can learn from these, various factors such as social systems, management systems, and personnel standards make simple copying out of the question. For example, in questions of leadership authority and management in technological reform, other countries organize things on the basis of one boss for every company and a board of directors. In the case of China, one "boss" has to manage more than 150 departments and 4,000 enterprises in the city. Where can one find such a competent boss? The only thing to be done is to decentralize management, and as soon as decentralization occurs, the departmental interests arise. Another example is that the problem of proportional relations between short supply and abundant supply, the problem of loan payments and loan repayments, and the problem of importing technology and being self-sufficient, all require research in order to be solved. We cannot simply talk about attaching importance to them and simply rely on effort and enthusiasm to correctly carry out technological reforms. In other words, there is the question of attaching importance to the task, and paying close attention to the work, and also the question of being courageous in one's practice, courageously probing, constantly assessing experiences, and improving understanding.

2. Leadership is ineffective. The important thing in our technological reforms is not a lack of leaders, nor a shortage of leaders, but rather that leadership is decentralized, scattered, and thus "many-headed," and there is a lack of macroscopic guidance. Our management system was formed over many years. Now it is an old system coming against new trends and new problems. But overall reforms to the system cannot be done by one department or one region within a short time. There is an urgent need to get on with the job of technological reform, but without centralized and unified leadership, a unified, strong, and effective organizational system and a force of specialists to make up a strong working group, it is very hard to complete this task. Here lies the key to the problems related to technological reforms.

3. The road is not smooth. Because there is little understanding, unsuitability of systems, and a failure to understand how to do things correctly in a short time, the road to technological reforms is by no means smooth. It is very clear that many things are very reasonable, but they are not necessarily "legitimate," and of course some things are very legitimate but not very reasonable. Technological reform touches on many different areas. In the case of fund resources, for example, there are between 30 to 40 various channels. Among them the People's Bank has 18 and the Construction Bank has 15, while there is also the Bank of China, the central departments, and so on, as well as credit investment companies in the city, development companies, and leasing companies. There are also sources in the financial department, various associations, and also United Nations investments. There are many different channels. We still lack a good method of typing up the funds from these channels. In management terms, some major urban committees can directly approve projects and can also turn down the [word indistinct]. In any committee or bureau, there are several leaders, and under each leader

there are maybe seven or eight sections. Each section handles one specific thing. There is equality among the various committees and among the various sections. It is not possible for one to dominate the others. The result is that each gets on with its own affairs, thus creating a bumpy road for technological reforms.

4. Work is not detailed enough. A great deal of work lacks depth and is not sufficiently specific. Some people are content to sit and talk and are obsessed with setting up projects, signing agreements, talking a lot but doing very little, and chatting a great deal, but achieving little. Their work style is very chaotic and unsatisfactory. Because of the many years of "eating from the big rice bowl" there is no strict system of responsibility, and there is no bonus and penalty system with an integration of rights, duties, and powers. When some people do their work they have no responsibility, or there is mutual bickering. This attitude in no way reflects the importance of the party's undertakings. When some people come up against contradictions and problems they simply disappear, thus no one takes responsibility and no one accepts the blame and punishment, with the result that many affairs are damaged. With a good work style, detailed work, and so on, it is possible to make up for the shortcomings in the system. With a bad work style and little work, the system remains unsuitable and many affairs are lost or damaged.

#### Several Opinions Concerning Strengthening Technological Reform Work

On the basis of the above analysis, and according to our previous experiences, we should refer to the successful and suitable methods that have been adopted, both in China and abroad, and come to understand that in order to come to grips with technological reform work today, we must be clear about the following few things: 1) We should have a unified macroscopic policy. We do not need "several heads" doing the same job, each interested only in their own policies, working in a decentralized way and lacking any mutual unity and caring only about minor issues and thereby harming the overall issue. 2) Our major aim should be to make full use of technological reforms. We should not hinder technological progress and strive only for increases in productive forces. 3) We should achieve rational coordination with production organizations and actively carry out enterprise readjustments and improvements. We should not yield to unsuitable production organizations, for these will in the long run hinder technological progress and cause waste. 4) There must be planning, step-by-step progress, key points, and a readiness to give up some things and adopt others. We should come to grips with key businesses and important projects (those with high efficiency, large quantities, and long lives). 5) We must firmly uphold the principle of taking the intensional road and attend to equipment and technology renovation and improvement. We should not always think of expanding things or be unwilling to exchange old equipment. 6) There should be precise and complete preparatory work. 7) We should put things in order when dealing with projects. Things that should be axed should be axed, while things which should be reduced should be reduced. Projects which should be started but which

are delayed for long periods of time should be tackled immediately by using effective measures. 8) There should be a thorough and strong organization established from the top ranks through to the grassroots, and a strict system of responsibility should be implemented, along with strict methods for checking. 9) We should courageously reform unsuitable rules and regulations and systems that stifle and hinder. 10) There should be intimate integration with every business, and comrades carrying out technological reform work in every area should study well, research thoroughly, and become skilled at the area of work in which he or she works.

What is the most important thing to ensure that the above-mentioned guiding principles are effectively implemented in real work and that a new situation is opened up in technological reform work in Tianjin? The municipal party committee and the municipal government feel, after exhaustive and repeated consideration, that the most pressing and urgent thing to be done at present is to strengthen organizational leadership in technological reform work and to establish a strong, unified, and effective command system from the top right down to the bottom, and so quickly transform that chaotic situation in which everyone seems to be in charge, but where in fact no one is, and in which management is totally decentralized and ineffective.

The municipal government technological reform leadership group has been entrusted with the task of arranging the unified leadership of technological reform work in all urban areas. This task has been conferred on the group by the municipal government. The major tasks involved are: 1) Examine and approve medium- and long-term plans and annual plans for technological reforms in major urban businesses and major products. 2) Examine and approve technological reforms, technological imports, imports of personnel, joint ventures between China and foreign partners, joint production, readjustments, and improvements. 3) Research and draw up concrete measures and policies for technological reforms in Tianjin on the basis of the state's unified principles and policies. 4) Coordinate work between relevant departments and work units involving the drawing up of projects, preparatory work, and the implementation of projects, simplification of procedures, improvement of efficiency, and decisionmaking on controversial issues. 5) Investigate and supervise the implementation of technological reform projects, check results, and help solve any problems which crop up during implementation. 6) Handle any other important matters related to technological reforms.

Similarly, various relevant bureaus and offices should also tie up readjustments, improvements, technological reform, technological importation, the importation of expert personnel, joint ventures, and capital construction tasks, and should establish a unified command group so as to overcome the problems that exist today of mass leadership and decentralized strength. Companies and enterprises with technological reform projects should also establish systems of responsibility so that every project is organized with responsibility from its initiation to its implementation.

The former Luanhe project command department is being turned into the key engineering command department, responsible for organizing and implementing all major construction projects in the city. Construction engineering for existing technological reform projects is still the responsibility of the construction committee. In the future, all technological reform projects classified as key projects must have guarantees for design, implementation, and supplies of materials by the construction committee, which must also organize forces together and complete the projects within specified time limits.

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## FOREIGN TRADE

### OPENING 14 CITIES TO OUTSIDE 'IMPORTANT' STEP

HK150828 Beijing CHINA DAILY in English No 19, 7 May 84 p 4

["Notes From the Editors" column by Economic Editor Jin Qi: "China Expands Flexible Policies"]

[Text] Last month the Chinese Government announced that flexible economic policies similar to those now practiced in China's special economic zones will be introduced in 14 more coastal cities and Hainan Island (see p 6, Issue No 16).

This is an important new step in China's policy of opening to the outside world, first introduced in 1979. It also continues and develops the policy of expanding economic and technological cooperation with other countries, according to the principles of equality and mutual benefit.

In expanding its open policy, China will provide overseas investors with more preferential treatment in taxation, market and other conditions, and give local authorities more power. Economic development zones will be established in designated areas of some cities. In these areas infrastructural construction will be strengthened. All this will create a better investment environment and attract more foreign funds and advanced technology to promote China's modernization drive.

The decision was made after careful consideration of the experience gained in the trial operation of the four special economic zones of Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province. Since their establishment in 1980, these special economic zones have made great advances in importing new technology, using modern management methods and scientific technology, and training competent personnel. The achievements made in the Shenzhen Special Economic Zone are particularly inspiring.

Shenzhen, formerly a poor, backward small town, is now a brand-new modern industrial city. In the last five years 3.53 million square metres of work and living space have been built. In 1983, the city's total industrial output value reached 720 million yuan and its revenue amounted to more than 300 million yuan, each showing an 11-fold increase over 1978. The output

value of its electronics industry accounted for one-third of its total industrial output value. In the last five years Shenzhen has absorbed 1,700 million yuan in investments, 65 percent of which were foreign and local funds, and 35 percent, bank loans and investments from other provinces or departments under the central authorities. The zone has also given China valuable experience in business management, professional training, use of personnel and wage system reforms.

The principle of mutual benefit has also been adhered to in Shenzhen. Liu Tianjiu, one of the first investors from Hong Kong, started in Shenzhen with a leather processing factory. Now he has developed a chain of hotels and, in the last three years he has earned a profit of 16 million HK dollars from just one of them. Liu said recently that his more than four years of experience prove that the Shenzhen Special Economic Zone is a new world; one in which overseas entrepreneurs can develop fully.

With the development of the South China Sea Oilfield, several thousand people from British, U.S., French and Japanese oil companies have poured into Shenzhen, and 10 foreign and Hong Kong banks now have representative offices there.

The successful experiences of the Shenzhen Special Economic Zone, including the introduction of different forms of management such as joint ventures, enterprises run exclusively by foreign business people and cooperative production, combined with China's work to build up socialist ethics and culture, will be widely introduced to the newly opened coastal areas.

The expansion of the open policy does not mean that China will change its principles of independence and self-reliance. The relevant laws, policies and decrees of China--a socialist sovereign state--will still be exercised in these newly opened areas. The foreign funds and advanced technology we import, in accordance with the principles of equality and mutual benefit, will be used to expedite our domestic economic development and increase our self-reliance.

The efforts China has made, from setting up the four special economic zones to opening 14 more coastal cities, show that China is gaining confidence in absorbing what is useful from abroad.

CSO: 4020/122

## FOREIGN TRADE

### TIANJIN HARBOR FOREIGN INVESTMENT ZONE PLANNED

OW151457 Beijing XINHUA in English 1440 GMT 15 May 84

[Text] Tianjin, 15 May (XINHUA)—Tianjin will designate an economic development zone around Tianjin harbor for foreign investors as part of the city's measures to open wider to the outside world.

"Sino-foreign joint ventures and enterprises with exclusive foreign investment to be set up in the zone will pay 15 percent income tax, as is the case in China's special economic zones," Vice-Mayor Li Lanqing told a press conference here today.

No taxes will be levied on foreign firms when they remit their profits abroad, while income tax rates will be cut for enterprises with exclusive overseas investment, he added.

In making use of foreign funds, the municipal government is now empowered to approve projects involving a total investment of less than 30 million U.S. dollars, Li said. It can also approve hotels, exhibition centers and other non-industrial projects regardless of the amount of investment, he added.

"Foreign funds will be used to speed up construction of Tianjin port," Li said. The sluice gate on the Haihe River running through Tianjin has already been opened to let in foreign freighters of up to 3,000 tons.

The vice-mayor made the following points in this connection.

Preparations are underway for the establishment of a company which plans to use foreign funds through international bidding to build a Beijing-Tianjin expressway via Tianjin, designed to link Beijing and Tianjin airports.

Construction of telecommunications and service facilities will also be speeded up to provide better accommodation and working conditions for foreign investors.

Tianjin will import 60,000 program-controlled telephones in the next three years. Contracts have already been signed with overseas firms this year to build three new hotels and renovate three old ones. Foreign firms will be in charge of most of the management work of the six hotels.



Foreign investment amounting to 53.4 million U.S. dollars was used by Tianjin between 1979 and 1983 in the form of joint ventures, coproduction, compensation trade and leasing.

Tianjin also used 11.82 million U.S. dollars in loans extended by the World Bank and foreign governments in the period, while technology and equipment worth 277.67 million U.S. dollars were imported for 353 industrial projects.

Contracts have been signed for the establishment of 20 Sino-foreign joint ventures so far, seven of which have already gone into operation, the vice-mayor pointed out.

CSO: 4020/122

## FOREIGN TRADE

### BRIEFS

ZIMBABWE GARMENT FACTORY CONTRACT--Harare, 3 May (XINHUA)--Zimbabwe and China signed a contract here today on the implementation of Chitungwiza garment factory project. Under the contract, the Chinese Government will present to the Zimbabwean Government a complete set of machinery for a clothing factory and undertake to provide experts and technicians to assist Zimbabweans to install machinery and also to offer advice on management and the training of workers. Mrs. T.R. Nhongo, minister of community development and women's affairs signed for Zimbabwe and Chinese ambassador to Zimbabwe Chu Qiyuan signed the contract for the China National Complete Plant Export Corporation. [Text] [OW031337 Beijing XINHUA in English 1313 GMT 3 May 84]

CANADIAN DELEGATION TOURS SHENZHEN--Shenzhen, 28 Apr (XINHUA)--The Canadian parliamentary delegation headed by Senate Speaker Maurice Riel and speaker of the House of Commons Lloyd Francis, visited the Shenzhen Special Economic Zone today. Francis said that the Shenzhen visit enabled them to see the achievements of the Chinese people in economic construction. They were deeply impressed by the Chinese people's dedication to their cause, he added. The Canadian congressmen arrived here from Guangzhou this morning. In the afternoon, they visited some companies and factories in Shenzhen and mounted the international commercial building for a panoramic view of the city under construction. In the evening, the Shenzhen Municipal People's Government hosted a banquet to welcome the Canadian guests. [Text] [OW281902 Beijing XINHUA in English 1642 GMT 28 Apr 84]

AGRICULTURAL PROJECTS' AID--Beijing, 10 May (XINHUA)--The second round of bidding for contracts to supply capital goods for two north China agricultural development projects were opened here today. The opening ceremony was attended by representatives of 25 firms from Britain, China, the Federal Republic of Germany, Japan, Spain, the United States, Yugoslavia and Hong Kong. The north China plain and Hebei agricultural development projects will receive 60 million U.S. dollars in loans from the World Bank and another 25 million U.S. dollars from the International Fund for Agricultural Development. The loans will be used to transform 233,000 hectares of saline-alkaline land in 11 counties in Anhui, Shandong, Henan and Hebei provinces. International bidding will be adopted for

purchases of materials worth about 30 million U.S. dollars. The first round of bidding opened a year ago. The second round will involve purchases of 44,000 tons of chemical fertilizers, 300 tons of pesticides, 700 tons of electric wire and 800 transformers. The transforming project began in the fourth quarter of 1982 and will be completed by 1987. Irrigation and drainage facilities will be built to reduce the area's saline-alkaline content and improve its ability to withstand floods and drought. [Text] [OW101351 Beijing XINHUA in English 1236 GMT 10 May 84]

PRC-BELGIUM TRADE FAIR--Brussels, 27 Apr (XINHUA)--A seminar on the promotion of trade relations between Belgium and China was held here today. Organized by the Belgium-China Economic Commission under the Belgian Office of foreign Trade, the seminar covered the transfer of technology, high-techs, modern management as well as capital investment to China. In their speeches at the seminar, president of the Belgium-China Economic Commission Charles Roger and director-general of the Belgian Office of Foreign Trade Willy Monfils spoke highly of the rapid economic development in China. They expressed the belief that there exist excellent conditions for cooperation between the two countries. Speakers from Belgian business circles presented their views on "the perspectives of Sino-Belgian trade," "the transfer of technology," "co-production, bilateral cooperation," and "the possibilities of importing coal from China." They pointed out that there exist numerous possibilities for cooperation between Belgian and Chinese enterprises. The commission has decided to take actions to promote trade between the two countries. Some 200 representatives from Belgian enterprises attended the seminar. Chinese ambassador to Belgium Zhang Shu was invited to speak on the occasion. [Text] [OW281846 Beijing XINHUA in English 1635 GMT 28 Apr 84]

ZHUHAI ECONOMIC ZONE--Guangzhou, 5 May (XINHUA)--Overseas investment in the Zhuhai Special Economic Zone in Guangdong Province amounted to 198 million U.S. dollars in the first quarter of this year, according to local authorities. This was a big rise over that in the same period of 1983, which was only about 1.1 million U.S. dollars, the officials said. The 117 contracts and agreements concluded in the first three months included Sino-foreign joint ventures and projects with sole foreign investment. Over 80 percent of them are in the field of industry, including the 15 million U.S. dollar glass bottle factory and a microwave communications equipment plant invested by a U.S. firm. Investors are mainly from the United States, Australia and Japan as well as from Hong Kong and Macao. Zhuhai is one of the four special economic zones in China. Since it was opened in October 1980, investment conditions have been improved constantly, especially since the inspection tour earlier this year by central government leaders. A new harbor and a heliport have been put to use and roads and supply of water and electricity and communications equipment have basically been completed. [Text] [OW050900 Beijing XINHUA in English 0740 GMT 5 May 84]

CSO: 4020/122

## LABOR AND WAGES

### LIAONING ADOPTS MORE FLEXIBLE WAGE POLICY

Shenyang LIAONING RIBAO in Chinese 6 Mar 84 p 1

[Article by staff reporter Yu Zhongxin [0060 1813 2450]: "Liaoning Provincial People's Government Decides To Raise by One Grade the Wages for Front-line Scientific and Technical Farm and Forestry Workers"]

[Text] In compliance with the State Council's ruling that the wages for front-line scientific and technical agricultural and forestry workers be increased to a suitable extent, the Liaoning Provincial People's Government has decided, on the basis of the actual circumstances prevailing in the province, to increase as of January 1984 by one grade as job subsidies the wages of the cadres of the state engaged in the first grade of work in the rural areas and communes (including qualified scientific and technical workers within the establishment who are paid by the provincial, city, prefectural, county or district governments and assigned to work on a long-term basis in the rural areas and communes and in the agricultural and forestry units under the public ownership system in the districts, localities, rural areas and communes under the jurisdiction of the provincial, city, prefectural, county and district governments), qualified workers who have graduated from colleges, middle schools and training schools and those having the titles of technicians engaged in agriculture, forestry, animal husbandry and fishery (including those working on boats), reclamation (below the corps farm level), irrigation in the farm areas (including water and soil conservation) and mechanized farming. Those who leave their front-line jobs within 8 years are to have their wage increases rescinded while those who stay on their jobs for over 8 years may retain their wage increases. Those who have been transferred or promoted under normal circumstances are not to be affected. According to a ruling made by the Liaoning Provincial Party Committee in 1983, the agronomists and veterinarians working in the rural communes and units within their jurisdiction under the public ownership system will no longer be paid a rural technical subsidy of 8 yuan once they have been granted a one-grade increase in wages. The additional expenditures incurred by the wage increase of one grade as job subsidies paid to front-line scientific and technical workers as of 1984 will be borne by the provincial financial department.

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## TRANSPORTATION

### BRIEFS

EXCAVATION OF NEW CHANNEL--Hangzhou, 26 April (XINHUA)--Earth excavation began today for a 6.97-kilometer long channel in East China which will link rivers in Zhejiang Province with the Yangtze and other major navigable waterways in China. The new channel which will extend from the Qiantang River in coastal Zhejiang Province to the ancient Grand Canal, will be 66 meters wide and capable of accomodating ships up to 300 tons. The 1,794-kilometer long north-south Grand Canal, first built 1,300 years ago, intersects with the country's major rivers--Yangtze, Huaihe and Yellow Rivers all flowing in a west-east direction. Under a long-term plan, ships will be able to cruise from the Qiantang and other rivers in Zhejiang Province to the Grand Canal and from there, to these major rivers after the silted sections of the Grand Canal are dredged and renovated. The government has appropriated 45 million yuan for the construction of the new channel, scheduled for completion by the end of 1986. [Text] [OW261700 Beijing XINHUA in English 1634 GMT 26 Apr 84]

QINGHAI RAILWAY OPENS--Xining, 1 May (XINHUA)--One of the world's highest railways went into regular service today 3,000 meters above sea level in remote Qinghai Province. The 834-kilometer line crosses the arid Qaidam Basin between the provincial capital of Xining and the rising new city of Golmud, where it joins highways leading to Tibet and Xinjiang. Surrounded by the Altun, Kunlun and Qilian mountains, the Qaidam Basin covers 240,000 square kilometers on the Qinghai-Tibet plateau. It holds large reserves of petroleum, natural gas, salt, coal and non-ferrous metals. Large-scale petroleum exploration is underway in the basin in cooperation with companies from the United States. [Text] [OW011040 Beijing XINHUA in English 1030 GMT 1 May 84]

DRAWBRIDGE ON NUJIANG RIVER--Kunming, 2 May (XINHUA)--Another drawbridge for automobiles across the turbulent Nujiang River in Southwest China's Yunnan Province has opened to traffic, facilitating local travellers in this remote and mountainous area. Up to now there are 5 drawbridges for automobiles and 12 for people and animals, 12 makeshift bridges, and 83 steel sliding cables totalling 10,000 meters in the 269-kilometer Nujiang River, averaging one bridge for every 9.2 kilometers. Crossing the swift Nujiang River was a formidable task in the past. The local people often went by canoe or by clutching a hollow bamboo that slides along a bamboo strip cable. [Text] [OW020738 Beijing XINHUA in English 0701 GMT 2 May 84]

## GENERAL

### ZHEJIANG GOVERNOR DESCRIBES PROVINCE

HK260444 Beijing CHINA DAILY in English 26 Apr 84 Zhejiang Supplement p 1

[Article by Xue Ju, governor of Zhejiang Province: "Zhejiang--A Land of Opportunity"]

[Text] Today neither the old description "abundance in fish and rice, home of silk and tea" nor the fame of scenic West Lake in Hangzhou can give a complete picture of Zhejiang Province. Building the province into "the big port in the East," once a dream of Dr Sun Yat-sen's, has become the target of the common effort of the people of Zhejiang.

The construction of Ningbo Harbour (including the Beichang and Zhenhai Ports) has played an important role in economic development. The deep-water Beichang Port is well-favoured. The current is smooth and peaceful, the water there never freezes nor silts. Ready for use are a 100,000-tonnage berth for mineral ores and a 50,000-tonnage berth for oil tankers and several 10,000-tonnage berths for coal and other goods. The harbour is still expanding. Other ports open for use are at Wenzhou, Shenjiamen and Haimen.

#### Waterway

The provincial ocean shipping company has opened water routes to Hong Kong, Japan and Korea. Scheduled passenger flights go to Hong Kong and other big cities in China. Air freight service links with the rest of the world.

At present still under construction are Beichang-Ningbo Railway, Shanghai-Hanzhou and Zhejiang-Jiangxi double-tracked projects, Beijing-Hangzhou Canal, East Zhejiang Canal and Qiantang River projects.

Zhejiang's industry has had an average increase rate of 16.4 percent annually in the past 5 years. Industrial output retail sales and profit tax all have increased. Light industrial products--silk, tapestry, wine, tea, canned food and hardwares--are improving in quality and variety.

Metallurgy, petroleum refining, power generating, coal mining, machine building, chemicals, electronics and building materials are all newly developed industries. More than 5,000 projects have been completed, including the Zhenhai Petrochemical Refinery, Zhenhai Power Plant, Taizhou Power Plant, and the Changxing Cement Works in the past 5 years. Heavy industry goes hand in hand with the light industry.

The rural economy, which used to aim at self sufficiency, is now directed towards a larger scale of commodities production, and a modern agriculture. Since the responsibility system was instituted, the old idea that the peasants are merely tillers has been changed. Now 45 percent of the peasants engage in ventures such as horticulture, animal husbandry, processing, transportation, construction, business or service trades. Specialized households constitute 13 percent of the total agricultural households. Specialized villages, townships and markets have appeared. All forms of mutual help or cooperations are booming. Masters of trades and skills are active in all townships. Township industry is developing faster than state-owned enterprises. The production value of the township economy has an annual increase rate of 30 percent.

### Foreign Trade

Zhejiang has business links with more than 119 countries and regions. Commodities of a thousand varieties are going to international markets. Included are such indigenous products as Shaoxing wine, Jinhua hams, Huzhou writing-brushes, Hangzhou satins and brocades, Sheng County bambooware, Qingtain stone-carvings, Dongyang wood-carvings, Longquan (Dragon Spring) Green-glazed porcelain, canned food, medicine, industrial chains, water meters, small hydro-power station equipment and building materials.

Energy, transportation and raw materials are our prospective projects. Zhejiang has a shortage of coal, but it has rich water resources. We plan to build a number of hydro-power stations and thermal-power stations, and one nuclear-power station in the next 10 years. Also in prospect is oil exploitation of the East China Sea. Our transportation expansion programme includes double-tracked railways and inland waterways, port and wharf facilities. For raw materials, priority will be given to metallurgical projects and chemicals for textiles.

### Special Zones

Cities like Ningbo and Wenzhou will adopt some policies which are being practised in special economic zones. Investors may choose joint or solo ventures or compensation trade arrangements. Preferential terms for the use of land, labour force and building materials will be given to investors. Formalities will be streamlined for them. We will give investors the chance to profit and their interests will be safeguarded by law. Already 680 contracts have been signed.

To modernize our production of indigenous crops like silk, tea, oranges and bamboo--for which we rank first in China--we must adopt advanced technology. It is the same with sea water and fresh water aquiculture and fishery.

Our textile mills, paper mills and tanneries, our factories producing porcelains and plastics, our electronics and machinery plants also need technical renovations.

### Training

Zhenjiang is rich in mineral resources which are all available for exploitation. They are copper, lead, zinc, molybdenm, tungsten, zeolite, alumstone, granite-stone and marble.

Zhejiang has 24 colleges and universities with approximately 40,000 undergraduates. There are more than 200 scientific research institutions with a total staff of about 300,000 people. We welcome lecturers and scientists at home and from abroad to work or exchange experiences with us. If some of them wish to settle down in our province we will make good arrangements for them.

We welcome friends from abroad to visit our scenic spots, do business or exchange scientific know-how and technology with us, as well as make cultural and educational exchanges.

CSO: 4020/116



GENERAL

#### FOUR MAJOR CHANGES IN LIAONING'S INDIVIDUAL ECONOMY

Shenyang SHICHANG ZHOUBAO in Chinese 14 Feb 84 p 3

[Article by Huang Zhigang [7806 1807 0474]: "Four Modern Changes in Liaoning's Individual Economy"]

[Text] There were in 1983 over 107,000 newly established individual industrial and commercial households [employing] over 145,000 individuals (145,916), the equivalent of the total number for the 4 previous years. The average monthly increase came close to 10,000 households and 12,000 individuals. The rate of increase was the highest since the restoration of the individual economic system. This trend of development is expected to continue. According to the latest statistics supplied by the industrial and commercial administrative departments in 12 cities and regions, there are now in the cities and rural areas of the province 228,360 individual industrial and commercial households employing 288,668 people, representing an increase of 10.3 and 13.4 times, respectively, over 1979. The four following major changes have taken place in the development of the individual economy in our province:

First, the composition of those entering the professions has undergone a noticeable change. By the end of December 1983, the number of young people awaiting employment who have applied for permits to engage in individual businesses in the province had reached 33,651, or over twice (2.1 times) the number at the end of 1981. The proportion of those entering the professions in the cities and towns has increased from 17.3 percent to 28.8 percent. The development of the individual economy has opened up a major avenue for young people seeking employment. Conversely, the proportion of retired workers entering the professions in the cities and towns has dropped from 32.3 percent to 23.3 percent.

Second, there has been a new development in the number of individually operated businesses and in the categories of such businesses. Statistics show that the number of businesses open to individual operations has increased from a little over 100 a year ago to over 250 at the present time. There have emerged such lines of business as the processing of subsidiary agricultural products to promote agricultural production, the manufacturing of small-scale means of production to promote industrial production, the processing of spare parts and the repair of machinery. As a result of the relaxation of policy in line with the decisions reached at the national conference on the work being done in the commercial field in the rural areas in 1983, there has been a

gradual increase in the number of individuals purchasing tractors and motor vehicles to engage in transportation services and in the number of individual households purchasing motor-driven vehicles for the sale and transportation of subsidiary agricultural products. Among the service trades are coal and milk delivery services, family child-care centers, nursery schools, literacy classes, foreign language classes, abacus classes, dressmaking classes, home use electrical appliance repair classes and cultural and technical services.

Third, the rate of development has been more rapid in the rural areas than in the cities and towns. With the overall implementation of the "twin" agricultural production responsibility system, a large pool of labor in the rural areas has been diverted from exclusively agricultural production to commercial, service and individual business operations. The number of individual industrial and commercial businesses in the rural areas has shown a two-fold increase. During the past year, the rural areas throughout the province have seen the establishment of 70,728 individual industrial and commercial businesses numbering 99,853 people, or 10,700 households and 28,000 persons more than the total established 4 years ago (60,099 households and 71,766 persons). The proportion of individual households among the total number of households has increased from 50.1 percent last year to the present 57.3 percent. Over half of the natural villages have individual commercial network outlets which have served to make up for the deficiencies of the public ownership economic system, to enliven the market in the rural areas and to make life easier for members of the cooperatives.

Fourth, the amount of retail sales of commodities operated by individuals has shown a significant increase as has the proportion of commodities sold at retail in society. The number of commodities sold at retail by individual businesses has increased from 480 million yuan (484.6 million yuan) to 870 million yuan, showing an increase of 81.2 percent. The proportion of the number of retail sales of commodities by individual businesses among the total sold in society has increased from 3.5 percent in 1982 to 5.8 percent today. The individual economy has also made up for the omissions and deficiencies of the socialist unified market and made things easier for the masses.

9621

CSO: 4006/343

## GENERAL

### SHANDONG INITIATES JOINT PROJECTS WITH OTHER REGIONS

Jinan DAZHONG RIBAO in Chinese 7 Feb 84 p 1

[Article by Guo Fuxiu [6753 4395 0208]: "Shandong Has Initiated Projects of Cooperation With 17 Provinces, Cities and Autonomous Regions"]

[Text] Our province has, up to the end of 1983, initiated 393 projects of cooperation with 17 provinces, cities and autonomous regions, including 263 projects of technical cooperation, 40 projects of joint economic cooperation and 90 projects of cooperation for personnel training. Up to now, 155 projects, or 39.4 percent of the total, have been put into operation.

The development of regional economic and technical projects of cooperation is of benefit to the enterprises, the regions, the departments and the nation. Our province has established 174 projects of technical cooperation with Shanghai and Tianjin. Through technical cooperation, the 44 types of products turned out by 44 enterprises have improved in quality, reduced the consumption of manpower and material resources and increased the amount of profit. Our province has also set up cooperation projects for the recruitment of students for specific purposes and on a short-term basis with 36 universities, training schools and colleges in 10 provinces, cities and autonomous regions to provide training to 58 vocational and 366 college students from our province.

In the field of economic integration, initial progress has also been made. Yantai Municipality has raised 30 million yuan to engage in compensatory trade in exchange for an additional amount of coal produced by the coal department. Taking advantage of its technical edge, Qingdao has at various times established long-term projects of cooperation with Xinxian, Datong and Yuncheng Counties in Shanxi Province and with the Yanbian Korean auto prefecture in Jilin to help these regions improve their industrial structure, upgrade the quality of their products and enhance their overall economic effectiveness. In exchange for the technical aid received, Shanxi and Yanbian provide Qingdao a certain quantity of coal and lumber. Our province has engaged in a project of cooperation with Tianjin in setting up cold storage areas for beef and mutton. Up to the end of 1983, cold storage areas with a capacity of 1,800 tons and capable of generating annual revenues of 700,000 yuan have been completed or basically completed.

As regards cooperation in the area of supplies, the various projects of cooperation have in the past 2 years handled supplies valued at over 200 million yuan and have greatly helped to promote industrial and agricultural production in our province.

PRC'S XIAMEN ECONOMIC ZONE TO ADOPT NEW MEASURES

HK100208 Hong Kong SOUTH CHINA MORNING POST in English 10 May 84 p 12

[Report by Terry Cheng: "Xiamen Opens Up to the World--Innovation Is Name of the Game in New SEZ"]

[Text] The new special economic zone in Xiamen (Amoy) has set its course for rapid development since the visit by top Chinese leaders a few months ago.

Basic legislation will be completed soon, while steps are being taken to include the whole island in an enlarged SEZ [special economic zone].

Xiamen is planning to adopt measures which are somewhat more innovative than those already implemented in China's other SEZ's--Shenzhen (Shumchun), Zhuhai and Shantou (Swatow), all in Guangdong Province.

The latest moves in Xiamen follow visits to the SEZ's and nearby areas by the nation's elder statesman, Mr Deng Xiaoping, and other top leaders early this year.

New measures for the SEZ's were discussed in greater detail at a follow-up conference, when it was also announced that 14 more coastal cities would be opened to foreign investors. These cities will adopt flexible policies similar to the existing SEZ's.

In a recent interview with the SCM POST, Mayor Zou Erjun of Xiamen said that Fujian Province's first SEZ would be opened up to investment from all parts of the world.

"The SEZ is placing more emphasis on attracting capital and advanced technology from places other than Hong Kong," he said in a reference to the fact that Shenzhen was quite dependent on Hong Kong for investment.

Hong Kong investment still dominates in the SEZ's, although West European countries, the United States and Japan are playing an increasingly bigger role.

In the first 3 months of this year, the number of business inquiries from other countries matched that from Hong Kong.

Mayor Zou is confident that Xiamen can realise its SEZ goals. One reason for his optimism is the fact that the island has a strong cultural and educational background.

In a city with a population of 270,000, there are six post-secondary institutes, 12 vocational training schools and 33 secondary schools. Each year, there are 6,000 to 7,000 secondary school graduates.

Mr Zou said that the quality of labour in Xiamen was high and that overseas investors felt it compared favourably to other SEZ's.

In order to better understand the world's economical and technological situations, Xiamen authorities are planning to set up an information and consultancy company--the first of its kind in all of the SEZ's.

The idea is to build a worldwide network to exchange information on high technology and the economic and financial positions of the world's major markets.

The company will also provide consultancy for investment for the SEZ.

Mr Zou was enthusiastic about the SEZ's potential to open up to international investment.

"Xiamen, which has been an important port on China's southern coast for more than a century, now plans to build as many as 24 anchorages at the island. In the first phase, four will be build," he said.

The SEZ already has its own international airport--a distinct advantage over other SEZ's.

Mr Zou pointed out that Xiamen also has the first airline in China to be operated by a district administration.

An agreement has been signed between the national airline, CAAC, and the administration of the Xiamen SEZ to operate the airline.

By operating on this basis, the district airline will have more power to run new flights to other countries.

The airline and Hawaii-based Aloha Airlines announced last month that they plan to set up a joint-venture aviation company to fly to Southeast Asia, Japan and Hong Kong.

The joint venture, which will be known as the Xiamen Aviation Co, also plans to establish services within China--between Xiamen and Shanghai and between cities in three provinces--Canton (Guangdong), Guilin (Guangxi) and Xi'an (Shanxi).

Major steps are being taken to boost the SEZ by extending the original area of 2.5 square metres to include the whole island of Xiamen.

The expansion move was officially disclosed by the party General Secretary, Mr Hu Yaobang, in a wide-ranging talk with the visiting former Japanese foreign minister, Mr Masayoshi Ito, in late March.

The expansion is already underway--despite the fact that the National People's Congress has yet to approve the project.

The Xiamen SEZ United Development Co Ltd, which was formed in July last year to manage the original zone, is now accepting investment in other parts of Xiamen.

Construction work has started outside the original zone, and new contracts have been signed for development in other areas.

The United Development Co Ltd, which comprises the Xiamen SEZ Construction and Development Corp on one side and six banking groups in Hong Kong and Macau on the other, is itself an innovation.

The company is an economic entity endowed by the Administration Commission of Xiamen SEZ with a great deal of autonomous power.

No such company has been formed in other SEZ's to take charge of the overall development management of the area.

The Xiamen authorities hope that the establishment of such a company will improve the efficiency of business in the special region.

Plans to set up an international banking centre are also in the pipeline. Xiamen is prepared to spend US \$14 million on the centre, which will house branches of foreign banks.

The Hong Kong and Shanghai Bank has already set up an office in the zone, as has another Hong Kong bank, Chiyu Banking Corp, which has special relations with the city.

Chiyu's founder, Mr Tan Ka-ki, is a native of Fujian, although he went on to amass a great fortune overseas.

He returned to China in the 1950s and spent almost all of his wealth in boosting education and other work in the province.

The SEZ's Administration Commission has been working for some time on legislation intended to give the region a strong legal backup.

The basic legislation is expected to be completed by next month.

At present, Xiamen SEZ is using regulations drawn up for the earlier Guangdong SEZ's, as well as existing laws for the Xiamen municipality.

The new legislation is expected to provide bigger incentive for investment than those offered by Guangdong's SEZ's.

Mr Zou says that these incentives will include lower land rental, longer time limits for the use of land, longer tax-free periods and cheaper labour.

Fujian had suffered badly from underdevelopment in the past due to tension with the breakaway province of Taiwan, which is just across the Straits of Taiwan.

However, this tension has eased since Peking offered a peace overture to the nationalists a few years ago.

Mr Zou said that this easing of tension could only be good for both sides.

CSO: 4020/124

EVERBRIGHT CHAIRMAN'S INFLUENCE IN TERRITORY VIEWED

HK030220 Hong Kong SOUTH CHINA MORNING POST in English 3 May 84 BUSINESS NEWS  
p 2

[Article by Olivia Sin: "Wang Steals the Limelight--Everbright's Debut Stuns Hong Kong"]

[Text] The Cantonese sometimes say northerners "talk big and act big," and Peking-born Mr Wang Guangying, who has electrified local business circles since he first burst on the Hong Kong scene a year ago, appears to fit the bill.

In the past year, his bold comments and the splashy deals of his corporation--Ever Bright Industrial Co--have dominated the headlines.

Mr Wang, brother-in-law of the late Chinese President, Liu Shaoqi, is the first Chinese citizen to open a private company since 1949.

On his arrival in Hong Kong, he proclaimed himself a "big buyer" of machinery and technology and said he was carrying many millions of dollars worth of orders.

As a vice-chairman of the Chinese People's Political Consultative Conference (CPPCC), Mr Wang said his position is even higher than the rank of a minister.

He calls himself a capitalist, although he is the business agent in Hong Kong for the communist authorities in Peking.

He said he reports directly to the Chinese Premier, Mr Zhao Ziyang, and has autonomy in conducting his business here.

And unlike the ordinarily cautious China-lined officials in Hong Kong 64-year-old Mr Wang is known for his outspokenness.

When Hong Kong was shocked by Jardine, Matheson's recent controversial decision to pull out, he told the local community "not to fuss" over the issue.

Questioned about Ever Bright's financial backing, he said: "Ever Bright is no Carrian.

"I come here to buy and sell and to fat choy (make big money) with you all," he has repeatedly told gatherings of local businessmen.



The long list of Ever Bright's big deals--in property, tourism and off-shore oil support services--looms even larger than tall, portly, loud-talking Mr Wang himself.

They include one of Asia's largest reclamation sites, the Zhuhai special economic zone project costing up to \$1.2 billion; its involvement in building a space-age oil city in Shumchun [Shenzhen]; its purchase of the \$1 billion City Garden residential project in North Point; its formation into a consortium to bid for the Admiralty II site at \$380 million and its proposal to invest \$300 million into a Macao holiday resort.

Diplomats and businessmen say Mr Wang, as the most senior Chinese commercial [words indistinct] has a mission to fulfil--to inject confidence into a society shaken by the 1997 jitters.

They say whatever business deals Ever Bright is involved in, the effects are as much political as economic.

His purchase of City Garden, for instance, buoyed share prices and boosted investors' confidence at a low point in the property market.

By cooperating with businessmen on various projects and by making solid investments here, Mr Wang tries to convince investors that Hong Kong will have a stable and bright future.

Said one veteran businessman: Mr Wang and his company are in Hong Kong to carry out China's policy and Ever Bright is "essentially part of the overall machinery of China."

Apart from boosting confidence, another aim of Ever Bright, officially a non-government organisation, is to establish trade links with countries--such as Indonesia and South Korea--that have no diplomatic relations with China. Observers said such trade ties will pave the way for their eventual diplomatic relations.

Mr Wang said he has made some progress in this area, but gave no exact details.

Mr Wang also plays an important role in China's foreign trade.

Since he is directly responsible to China's State Council and is able to bypass many departments and eliminate red tape, Mr Wang can help foreign businessmen who have complained about China's huge bureaucracy and the long delay in getting things done.

In this way, China hopes that Ever Bright can speed up the absorption of foreign funds and technology, given the autonomy it has in recruiting staff, completing business transactions and handling assets.

Behind the splashy deals of Ever Bright lie a question of financing.

Bankers, businessmen and journalists have challenged Mr Wang to say just where his money comes from.

To this question, he apparently has given three different answers:

His own capital, coming from China as compensation for the freezing of his assets in the country. But analysts say the sum is too small to explain his spending here.

Financial support from the Chinese Government. Analysts say it is likely to come from the Bank of China. But the question remains whether the support carries limits.

Bank loans from Chinese and foreign banks. But a foreign banker says he has not heard about Wang borrowing money from Western banks.

On one occasion, Mr Wang said many banks had expressed interest in lending money to him.

When a reporter challenged him by saying that many banks also wanted to lend money to George Tan of the collapsed Carrian empire, an angry Mr Wang answered that, "Ever Bright is no Carrian."

Asked about Ever Bright's total capital, he said: "You don't ask a lady her age and you don't ask a gentleman about his capital."

On many occasions, he has reassured his audience that Ever Bright will have no difficulty in financing the multi-million dollar projects it has in hand.

Despite the reams of publicity Mr Wang has generated, he remains something of a mystery man.

Although Mr Wang is reluctant to talk about his [word indistinct] affairs, China watchers have pieced together the story of his career.

He started a large-scale chemical factory in Tianjin 40 years ago after graduating from the Fu Jen (Catholic) University in Peking.

After 1949, although his factories were nationalised, he remained at the helm and was awarded a place on the All-China Federation of Industry and Commerce.

But during the Cultural Revolution, when his relative, Liu Shaoqi, was purged, Mr Wang also suffered, spending eight years in detention.

When Liu was posthumously rehabilitated, Mr Wang's position was restored.

He was appointed vice-mayor of Tianjin and then made vice-chairman of the All-China Federation of Industry and Commerce.

Mr Wang's supreme position in China's commercial affairs and his relations with Premier Zhou are also something of a puzzle.

Asked whether his recent successes are attributable to his links with Liu Shaoqi, Mr Wang declined to make any comment.

Whatever his past, Mr Wang's leadership of Ever Bright in so many spectacular business transactions ensures more surprises in the future.

CSO: 4020/125

## HONG KONG ECONOMIC TRENDS

### MARKET HIT BY RATE FEARS, POLITICAL CONCERN

HK100244 Hong Kong SOUTH CHINA MORNING POST in English 10 May 84 BUSINESS NEWS  
p 1

[Article by Jerry Norton: "Shares Take a Beating as Rate Fears Sweep Market"]

[Excerpt] The share market took another beating yesterday on fears of higher interest rates, combined with continuing concern on the political front.

And a statement issued late last night by the Unofficial Members of the Executive and Legislative Councils (UMEMCO) appeared likely to deepen the political gloom depressing investor sentiment.

Rising U.S. interest rates had created fears yesterday morning that local authorities would raise local rates—which they did yesterday evening.

That well-founded worry, together with the political factor, shoved share prices down in the half-day session, taking the Hang Seng index to its lowest point in four months.

The index closed off 29.94 points at 939.71, its worst figure since January 9, when it stood at 937.46.

As noted in BUSINESS NEWS, most analysts had viewed Tuesday's 15.95 point gain in the index as largely technical and not indicating any turnaround in the dominant bearish sentiment, but yesterday's drop was more than some had expected.

And the fact that it was so sharp caused an analyst at one leading brokerage house to talk for the first time of a resistance level around 880 points.

That contrasted with the 900 to 940 range more commonly forecast recently for market consolidation, and which some still expected to hold, arguing that the effect of interest rate increases tended to be short-lived.

But they expressed that view before the UMELCO statement was released, with its indications of a split between the unofficials and the government, its implicit criticism of the British negotiating stance, its specific statement that the Chinese political system is "at least incompatible, and at worst hostile" to Hong Kong's philosophy and freedoms, and its reference to a potential collapse of confidence that could lead to a ruined economy and make Hong Kong "virtually ungovernable."

Since Sir Goeffrey Howe's press conference on 1997 the index has fallen 176.14 points. The UMELCO words could contribute to the spiral and make it hard to guess at a consolidation level.

As for the current round of talks in Peking, most analysts were expecting nothing more helpful out of them than the standard "useful and constructive" description.

Pessimists could also point to the decision by a second firm to delay a planned new listing as indicating the bear phase has more time to run.

Yesterday underwriters for a shipping company, Venture Lines Ltd., informed the stock exchanges that they had decided to postpone indefinitely Venture's \$225 million new issue.

On Tuesday a toy-manufacturer, Playmates Holdings Ltd, and its underwriters had said it would be putting off going public, due to the unfavourable market conditions.

That would leave the construction and concrete group, K Wah Stones, tentatively expected to advertise early next month, the first company in the new listing queue.

However, while no official word has yet been received from the firm, a stock exchange source said yesterday it was understood K Wah Stones would probably postpone its listing as well.

What the market appears to need--especially after UMELCO's comments--is a clear, coherent and comprehensive announcement from the top about Hong Kong's future and what the guarantees will be for the various pleasant promises China has been making.

Until that is forthcoming many investors will at least stay out of the market, if they do not become active sellers.

Turnover yesterday reflected some pick-up in activity along the latter lines, considering that it was only a half-day session. Volume totalled \$134.66 million, compared to \$155.12 million in Tuesday's full-day trading.

Shares opened lower and continued under pressure throughout the morning, with the Hang Seng index off 17.26 points at 11 a.m.

CSO: 4020/125

HONG KONG COMPANIES INVEST IN PHILIPPINES

HK210112 Hong Kong HONG KONG STANDARD in English 21 May 84 BUSINESS STANDARD  
p 1

[Article by Mary Ann Benitez: "Manila Residence Visas a Big Draw for Businessmen"]

[Text] Some 70 Hong Kong companies have made use of a Philippine investor's incentive plan to start their business in the Philippines and gain automatic residence visas for the investors and their families.

The companies are officially "expanding their operations" to the Asian nation, but it is widely believed that this option was related to 1997 fears.

Most of the firms are dealing in garment business who have set up their factories in the export-processing zones.

The firms, it was said, were attracted by the Special Investor's Resident Visa which was promulgated through Presidential Decree 1851 signed by President Marcos in 1982.

The decree automatically provides an investor with a resident visa, if he invests at least U.S.\$200,000 in any business.

The decree was widely-known as a "Hong Kong investor's package" to attract businessmen who are wary about their future in the colony.

In addition, another decree provides that from December 3, 1983 to December 4, 1984, foreign equity participation could be increased up to 100 percent in existing Philippine Investments.

But the Philippines Trade Consul in Hong Kong, Mr Roberto Mercado, said trade relations between his country and Hong Kong would not be affected after 1997, since China has diplomatic ties with the Philippines.

He said the only worry would be if expatriates and buying agents would not stay in Hong Kong. "It will not be the same Hong Kong then, if that happens."

He said this would affect the Philippines, as a source of raw materials needed by industries.

He said there would not be a flight of these investors if China keeps its promise to maintain the present systems in the colony.

Mr Mercado also admitted there was unease among investors over the situation in the Philippines, particularly after the assassination of former senator, Mr Benigno Aquino.

He recalled that business inquiries received at his office slowed down immediately after the assassination of Mr Aquino, but now they are back to normal.

He hoped investments would increase after the elections.

"The results of the elections will win back the confidence of investors, as it will show that there is democracy in the country," he said.

Trade between Hong Kong and the Philippines showed a hefty 146 percent increase, from \$478 million in January-February 1983 to \$625 million in the same period this year. The country has become Hong Kong's 15th largest market.

Domestic exports to the Philippines were up 48 percent from \$134 million to \$183 million; while imports from the Philippines rose 107 percent, from \$138 million to \$245 million, according to the Hong Kong General Chamber of Commerce statistics.

The bulk of the imports comprised petroleum and related materials and electrical machinery. Major exports to the Philippines were textile yarn and fabrics.

But a U.S. \$26-billion debt and controls on imports in the Philippines will affect its trade with Hong Kong in the long-term, observers noted.

CSO: 4020/125

PRC BANKS WOULD AID FLUCTUATING HONG KONG DOLLAR

HK180211 Hong Kong SOUTH CHINA MORNING POST in English 18 May 84 pp 1, 16

[Report by Garmen Chan: "China Banks Back HK\$"]

[Text] Peking, 17 May--Chinese banks will help the Hong Kong Government if there is a violent currency fluctuation, the chairman of the Nanyang Commercial Bank, Mr Chong Sai-ping, said today.

And he believes there will be no controls on foreign exchange in Hong Kong after 1997.

At a press briefing, Mr Chong told Hong Kong reporters the government has the ability to solve any Hong Kong currency problem.

Mr Chong is a Hong Kong deputy to the second session of the Chinese National People's Congress now under way in the capital.

He said it is the Hong Kong Government's responsibility to look after its currency in times of violent fluctuations which affect the people.

This is because the Hong Kong Government authorised the Hong Kong and Shanghai Bank and the Chartered Bank to issue bank notes, he said.

History showed the government was effective in [word indistinct] bank runs and he said it should continue doing so.

"As a Chinese bank, we indeed are willing to help if the government adopts positive measures to achieve the task."

Mr Chong believes it will be up to the future Hong Kong special administrative region to decide whether the present two note-issuing banks should continue.

Commenting on recent Chinese investment in Hong Kong, Mr Chong said it is wrong to suggest it [word indistinct] intervention in Hong Kong's economy.

He described it as normal investment to expand the activities of some Chinese-affiliated enterprises.



Citing the example of the Bank of China investment in building new headquarters, Mr Chong said it will only do Hong Kong good.

Today's briefing should have been held by the second director of the Hong Kong branch of the New China News Agency and an NPC deputy, Mr Li Jusheng.

Mr Chong took over at the last minute because Mr Li was "tied up with other business."

Mr Li is also a member on the Chinese negotiating team in the 1997 talks.

Mr Chong expressed identical views on the UMELCO [Unofficial Members of the Executive and Legislative Councils] statement to two CPPCC members who met the press yesterday.

Mr Ho Sai-chu and Mr Wong Ker-lee told Hong Kong reporters the statements did not represent the views of most Hong Kong residents but they were free to express their opinion.

Mr Chong said anybody can express an opinion on the Hong Kong issue at this particular time.

"But it is not quite right to say their views represent those of the people of Hong Kong," he said.

He also described some of their suggestions as unrealistic because they touch on the issue of sovereignty and administration rights over Hong Kong.

He said the remarks by the Chinese Prime Minister, Mr Zhao Ziyang, about Hong Kong in his government work report should help ease the worries of Hong Kong people.

Mr Zhao, he said, had clearly spelled out the Chinese stand on sovereignty and the series of special policies to maintain the stability and prosperity of Hong Kong after 1997.

The Hong Kong and Macao deputies to the NPC began meeting today.

Mr Chong said they had discussed the early parts of Mr Zhao's report.

He said members had been enthusiastic in expressing their views.

As the Hong Kong question falls at the end of Mr Zhao's report, [phrase indistinct]

Earlier, Hong Kong journalists [phrase indistinct] "democracy" in China.

They were taken to places where non-party members of the CPPCC held their group discussions.

They include the eight democratic parties, returned overseas Chinese, the Federation of Industry and Commerce and also the Taiwan League.

The chairman of the CPPCC, Ms Deng Yingchao, attended the group discussion of the Taiwan League.

The 80-year-old widow of Mr Chou Enlai told Hong Kong reporters that Taiwan is a part of China and would be reunited with the motherland.

CSO: 4020/125

HONG KONG FIRM TO INVEST IN GUANGDONG COUNTY

HK150236 Hong Kong SOUTH CHINA MORNING POST in English 15 May 84 BUSINESS NEWS  
p 1

[Article by Olivia Sin: "Millie's To Boost Tourism in Huiyang"]

[Text] The Millie's Group has signed an agreement with China to invest up to \$20 million to expand and renovate tourist facilities in the Huiyang County, Guangdong Province.

Under the 20-year agreement, both sides will develop the West Lake villa in the county which has a population of seven million.

The deal was sealed between the Huiyang authorities and Millie's chairman, Mr Alan Lau, last week.

Mr Lau, also a member of the Guangdong committee of the Chinese People's Political Consultative Conference, agreed to reinvest 60 per cent of the total profits he obtains from the venture to expand Huiyang's state-owned enterprises.

He also pledged to donate 20 per cent of the group's profits in the venture to develop welfare services in the county.

The Millie's Group--responsible for raising funds and introducing technology and equipment--will have a 25 per cent stake in the venture.

The rest of the shares will go to Huiyang authorities who will provide land and labour and develop the existing West Lake hostel into a modern villa.

Many residents in Huiyang--north of Shumchun [Zhenzhen]--have relatives in Hong Kong. It is a potential tourist spot, but the facilities are far from satisfactory.

Up to \$20 million will be needed to develop the accommodation, commercial and recreational facilities around the scenic West Lake.

Under the agreement, Millie's will borrow the needed funds from banks and the loans will be guaranteed by both sides.

Part of the profits made in the first seven years will be used to pay back the loan.

Work will start soon to improve the facilities in Huiyang.

The West Lake villa, which will have 200 rooms, will also have a department store, restaurants and recreational facilities built around it.

Other items under development include improving the surrounding infrastructural facilities and building a fleet of vans for tourists.

A board of five directors appointed by both sides--three from China and two from Millie's--will be the highest decision-making body.

The chairman of the board will be appointed by the Chinese and the vice-chairman by Millie's.

CSO: 4020/125

'POLITICAL UNCERTAINTY' BRINGS MARKET DOWN

HK080234 Hong Kong SOUTH CHINA MORNING POST in English 8 May 84 BUSINESS NEWS  
p 1

[Article by Jerry Norton: "Politics Send Prices Crashing"]

[Excerpt] Political uncertainty hammered the market down yesterday, driving the Hang Seng index to its lowest level in nearly four months.

The index plunged 51.09 points to 953.70. It was the first time since January 17 the index had fallen below 1,000 points, and was the lowest figure since January 10, when the index stood at 943.34.

Most analysts saw more room on the downside than up. Although there could be some fluctuations in the interim, they looked for consolidation in the 900 to 940 point range.

The general view at the end of last week had been that crash through 1,000 points was probable, but few had expected the market to plunge as far and as fast as it did yesterday.

The bears got an extra shove over the weekend with reports that Chinese troops may be stationed in Hong Kong after 1997. That added to the political gloom that has pervaded the market since Sir Geoffrey Howe's April 20 press conference.

His comments then disappointed those who had hoped for some form of British presence after 1997, or at least some means to guarantee whatever agreement the UK and China ultimately reach.

They were another blow to market sentiment already battered by the Jardine, Matheson Bermuda announcement.

Yesterday's drop makes the total decline in the index since Sir Geoffrey's press conference 162.15 points. There have only been two sessions since the press conference where the index has registered a gain.

Several analysts said yesterday that the reports regarding Chinese troops should not have been that surprising.

But they were enough to move a number of punters leaning to the Bearish side who were looking for an excuse to sell.

WANG GUANGYING ON EVERBRIGHT LOCAL IDENTITY

HK200344 Hong Kong SOUTH CHINA MORNING POST in English 20 May 84 pp 1, 10

[Report by Garmen Chan: "We'll Put Hong Kong First, Says Wang"]

[Text] Beijing, 19 May--Everbright will only conduct business through its Hong Kong base, the Beijing-backed capitalist chairman of the corporation, Mr Wang Guangying, pledged today.

Emphasising the Hong Kong identity of his company, Mr Wang made it clear that this policy would be Everbright's contribution to the territory's prosperity and stability.

And he gave an immediate example of how Hong Kong would be the staging point for Everbright's business ventures.

Everbright has been approached to introduce a 500 to 1,000-strong fleet of taxis to Beijing. Instead of dealing with Japanese car agents based in the capital, Mr Wang's company will conduct the business through agents in Hong Kong.

Moreover, the technology needed for Everbright's business deals would be obtained in Hong Kong.

Mr Wang is a vice-chairman of the Chinese People's Political Consultative Conference, which is currently in session in Peking.

A brother-in-law of the late Chinese president, Mr Liu Shaoqi, he is also the front man for Beijing-backed capitalism in Hong Kong.

Speaking at a lunch given for Hong Kong reporters covering the CPPCC and National People's Congress, Mr Wang said that he planned to transact more than HK\$1 billion worth of business in Hong Kong this year.

He did not say if it would be direct investment in the territory.

When asked about the source of his capital--always a talking point in Hong Kong--Mr Wang was evasive as usual.

"Up to now, I'm still using my own money. I have not used other people's money," he said.

And when asked about his profits, Mr Wang played his cards equally close to his chest.

"I will not do any money-losing business."

But he added: "Everbright is absolutely not another Carrian."

Mr Wang took the opportunity to quash rumours that he might back-pedal on Everbright's \$970 million purchase of residential flats at City Garden, North Point.

He said he had already paid \$47 million, five per cent, as a deposit and would pay another five per cent in nine or 10 months time.

"I've never intended to forfeit the deposit," he said.

Regarding sales of the flats, Mr Wang said he had suspended current negotiations with foreign investors who wanted to buy at City Garden.

This, he explained, was a result of Jardines' recent decision to move its legal domicile from Hong Kong to Bermuda.

However, he also insisted he was still open to the idea of selling flats to foreign investors.

Mr Wang has also made use of his Peking visit for the CPPCC meeting to negotiate more business for Everbright.

Among the major business items under negotiation is the construction of a pier which will accommodate ships of up to 10,000 tonnes in Dan Dong, a city in Liaoning Province.

The project is said to have the blessing of the Secretary General of the Central Committee of the Chinese Communist Party, Mr Hu Yaobang.

Mr Hu told city authorities to discuss the development of its port facilities with Mr Wang when they informed him they had no money for development.

Mr Wang estimated the project would cost about US\$70 million (about HK\$545 million) because of the foreign technology that was needed.

Another project involves the construction of a section of the underground railway in the centre of Beijing.

Mr Wang said the project involved imparting construction machinery from the Kumagai Company in Hong Kong, which is a major contractor of the Mass Transit Railway Corporation.

Other projects involve the refurbishing of a department store in the centre of Beijing and the construction of a multi-storey commercial and residential building in the Chinese capital.

PRC FIRM OPENS HONG KONG DEPARTMENT STORE

HK030200 Hong Kong HONG KONG STANDARD in English 3 May 84 BUSINESS STANDARD  
p 1

[Text] China Resources Artland Company, Beijing's retail trading arm in Hong Kong, has invested more than \$30 million in a new department store here.

Speaking at the opening ceremony of the 13,000-square feet store yesterday, Li Wen-chih, chairman and general manager, said the store is the biggest in the Wanchai area.

Situated on the second floor of the China Resources Building, the management style, services and the wide variety of goods are second to none when compared with the other first class department stores in Hong Kong, he said.

Mr Li said 90 per cent of the goods on the shelves are well-known foreign brands, while only 10 per cent came from China. He pointed out there are also some Taiwan goods on sale, obtained from local agents.

Food Variety

In addition, the department store also operates a 3,000-square feet supermarket within the premises, offering a variety of food to satisfy both foreign and Chinese palates.

Mr Li said there is no immediate plan to set up another department store. "Not within this year," he added.

Wong Kwong-wah, director and deputy general manager, revealed that a 10,000-square foot Chinese cultural exhibition centre will also be housed in the China Resources Building and is expected to be ready by the end of this year.

Mr Wong conceded that this is a bid to attract more visitors to the Wanchai area, which, at present, is dominated mainly by offices. He said there are signs that people are changing their shopping area from Causeway Bay to Wanchai. Mr Wong said the company has been approached to set up a department store in Ottawa, and it is still considering request.

Generally speaking, he said, it would take about three years for a department store to break even, and China Resources Artland expects the break-even point to be reached within this period, if not earlier.